GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2671
ANSWERED ON:31.08.2007
INTEREST SUBVENTION TO COOPERATIVE BANKS
Thakkar Smt. Jayaben B.

Will the Minister of FINANCE be pleased to state:

(a) whether the State Government of Gujarat has requested the Union Government to consider appropriate interest subvention on own funds of Cooperative Banks as well as to make refinance available to the extent of 85% of total lending of Cooperative Banks and also to make applicable the above scheme to DCCBs; and

(b) if so, the present status thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Yss, Sir. A request from the Government of Gujarat has been received before the Government of India (GoI) decision to extend 2% interest subvention to cooperative banks on their own involvement in disbursement of crop loans upto Rs. 3.00 lakh per borrower during 2006-07 at 7% p.a.

GoI refinances to the Co-operative Banks through the National Bank for Agriculture and Rural Development (NABARD), which is supplementary in nature. NABARD cannot affori to take care of such credit needs of the client banks due to funds constraints. With the withdrawal of Ground Level Credit (GLC) facility by the Reserve Bank of India (RBI), NABARD is entirely dependent on market borrowings at market nites for providing Short Term -Seasonal Agricultural Operations (ST-SAO) refinance also. For the year 2007-08, NABARD has made a budgetary provision, of Rs. 18000 crore for ST-SA.O refinance to cooperative banks in the country. Thus, at present, NABARD is not in a position to increase its. ST-SAO refinance to cooperative banks from its present level of 40% / 35% of Realistic Lending Programme (RLP).

NABARD has provided ST-SAO refinance to State Cooperative Banks (SCBs), on behalf of eligible District Central Cooperative Banks (DCCBs), at concessional rates of interest of 2.5% p.a, with interest subvention from Government of India. The condition for availing this refinance is that Cooperative Banks provide crop loans upto Rs.3.00 lakh per borrower at a rate of interest of 7% per annum. The rate of interest on this, concessional refinance is 3% p.a. for the year 2007-08.